Ct. 7; cf. Beel v. Hood, 327 U.S. 678, 90 L. Ed. 939, 66 S. Ct. 773. Unusual circumstances, not here present such as other pending suits, Brillhart v. Excess Ins. Co., 316 U.S. 491, 86 L. Ed. 1620, 62 S. Ct. 1173, * * * sometimes justify refusal of relief." *Eccles v. Peoples Bank, supra,* 333 U.S. at 436.

In *Public Affairs, supra,* this Court said, *Per Curiam,* "Of course a District Court cannot decline to entertain such an action [declaratory judgment] as a matter of whim or personal disinclination. 'A declaratory judgment, like other forms of equitable relief, should be granted only as a matter of judicial discretion, exercised in the public interest.' Eccles v. Peoples Bank [citation]."

In the *Evers* case, *supra,* the District Court dismissed the complaint on the ground that no "actual controversy" had been shown. The Supreme Court, *Per Curiam,* quoted from Maryland Casualty: "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." This Court then held that the record established the existence of an actual controversy which should have been adjudicated by the lower court, and reversed the judgment of dismissal.

The *Brillhart* case, cited as an example of unusual circumstances, involved a motion to dismiss a declaratory relief complaint on the claim that since another proceeding was pending in a state court in which *all*

the matters in controversy between the parties could be fully adjudicated, a declaratory judgment in the federal court was unwarranted. The Supreme Court held that the correctness of this claim was relevant in determining whether the District Court should assume jurisdiction and proceed to determine the rights of the parties.

In *Kerotest*,[5] *supra*, an infringement action was brought by the patent owner in Illinois, against a customer of the manufacturer, and an amended complaint brought in the manufacturer. *All* the parties were before the court for a full trial. *After* the suit was filed in Illinois, the manufacturer brought a declaratory judgment action in Delaware against the patent owner. Only the two parties were involved in the second action. The Delaware action was stayed and the Illinois action permitted to proceed, as all parties and all controversies were there present.

II.

The Pending Litigation in Cleveland Cannot Support Dismissal of the Counterclaim.

A declaratory judgment may not be refused because of the pendency of another suit, if the controversy will not necessarily be determined in such suit. See 26 Corpus Juris Secundum, p. 91, and cases cited in Note 90 (same page).

Respondent's argument that the Cleveland "action" is the only one that can completely settle the controversy as to Fanner-made products ignores all other issues tendered by the counterclaim.

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[5]The Supreme Court granted certiorari because "a question of importance to the conduct of multiple litigation in the federal judicial system was involved."

The controversy here is not limited to whether McGraw-Edison's dealings in Textron-produced dead ends constitute infringement. Among other things, *validity of the patent is in issue between McGraw-Edison and Preformed.* That it has already been determined as between Fanner and Preformed does not foreclose McGraw-Edison. Moreover, the issue of validity will be different when Preformed attempts to read the patent claims on structures such as the Straight Bight Fanngrips, not involved in the original adjudication of validity.

Even though a decision of non-infringement may dispose of a complaint and answer, it does not dispose of a counterclaim for declaratory relief which raises the question of validity.

> *Altvater v. Freeman,* 319 U.S. 359, 87 L. Ed. 1450, 63 S. Ct. 1115.

Mr. Justice Douglas, writing the opinion in Altvater, pointed out that "Sola Electric Co.[6] v. Jefferson Electric Co., 317 U.S. 173, * * * is authority for the proposition that the issue of validity may be raised by a counterclaim in an infringement suit." Footnote adds: "And see Leach v. Ross Heater & Mfg. Co. (C.C.A. 2d) 104 F. (2d) 88; Borchard, Declaratory Judgments, 2d Ed. pp. 812-814."

Respondent significantly admits "that if Petitioner enters the field of manufacturing such dead ends [Straight Bight Fanngrips], it could thereafter challenge the dead end patent." [Resp. Br. p. 10.]

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[6]It is noteworthy that the Supreme Court granted certiorari in *Sola* because the question involved was of importance to the administration of the patent laws and the Sherman Antitrust Act.

> *Sola Electric Co. v. Jefferson Electric Co.* 317 U.S. 173, 87 L. Ed. 165, 63 S. Ct. 172.

The distinction is without merit. The Patent Laws give the owner of a valid patent the right to exclude others from manufacturing, using or selling the patented device, *in the disjunctive*.

If McGraw-Edison can be sued for selling a product, it can challenge validity of the patent. It has done so. It is entitled to a trial.

Even if the Straight Bight Fanngrips made by the Fanner Division of Textron are held in Cleveland not to infringe, McGraw-Edison still has the right to try the question of validity. *Altvater v. Freeman, supra.* If such devices are held to infringe, the need for challenging validity is even more obvious. The source of the dead ends dealt in by McGraw-Edison is not the criteria. Drying up the present source will not end the controversy.

In contrast, a trial on the counterclaim in California will decide all controversies between Preformed and McGraw-Edison.

If the District Court in California decides that the patent is invalid, McGraw-Edison can deal in dead ends (old form or new) whether it continues to purchase from Textron or acquires them elsewhere or manufactures them itself. If the District Court in California decides that the patent is valid but not infringed by the Straight Bight dead end, McGraw-Edison can likewise continue to deal in them regardless of source. If the Court holds the patent valid and infringed, determination of that controversy is made.

What Respondent refuses to acknowledge is that it started two actions in two jurisdictions, against different defendants, for different acts of alleged infringe-

ment, and that as a result, each defendant has its own independent controversy with Respondent, and defendant McGraw-Edison Company has its own responsibility to indemnify its customers. [Pet. pp. 3 and 19.]

We thus dispose of the argument that pendency of the Cleveland "action" justifies dismissal of Petitioner's counterclaim.

III.

Even Under a "Single Issue" Presentation Demanded by Respondent, a Correct Question Would Demonstrate That the Petition Should Be Granted.

Petitioner reaffirms and adheres to its full presentation in the petition. However, in direct reply to Respondent's insistence that a single issue should be framed, if that be so, it should be as follows:

> Has a District Court, already having jurisdiction of the parties and the cause of action for patent infringement pleaded by the complaint, discretion to refuse to entertain a proper counterclaim asserting invalidity, non-infringement, patent misuse, and violation of the antitrust laws, when there is no other action pending between the same parties?
>
> The answer should be NO.

The question and answer can have far reaching implications in the administration of the patent and antitrust laws, and as thus limited has not been decided by the Supreme Court so far as Petitioner can ascertain.

Prior to 1934, when the Federal Declaratory Judgment Act of June 14, 1934 (48 Stat. at L. 955, 28

U.S.C. 400) was passed, the patentee was the only one in a position to initiate a suit involving a charge of infringement. He could, without actually bringing suit, threaten a manufacturer and his customers, gravely injuring his competitor's business, often forcing a settlement. He could bring suit, prolong the case, and move to dismiss without prejudice up to the time of trial, and then repeat the procedure.[7]

The patent owner might use an invalid patent, or a restricted patent to assert much wider scope of infringement. He might sue, not the manufacturer, but a remote small dealer, hoping for a consent judgment. If the dealer defended, or the manufacturer intervened, he could dismiss without prejudice.

The alleged infringer was forced to await the pleasure of the patentee in bringing the issues of validity and infringement to judicial determination.

These unfair, but legally privileged, tactics had been long and widely criticized. Attempts to amend the Patent Laws were unsuccessful. Finally, the Federal Declaratory Judgments Act provided the remedy.

The lower federal courts have now almost unanimously recognized that in patent infringement suits there is material prejudice to the defendant in arbitrary withdrawal by the plaintiff, that a counterclaim to prevent withdrawal serves a useful social purpose, and that it is better to have the whole issue adjudicated in the forum the patentee has selected. See *Borchard, supra,* and cases cited, pages 812-814.

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[7] *United Motors Service, Inc. v. Tropic Aire, Inc.*, 57 F. 2d 479, C.A. 8, 1932. The mere annoyance of another action after dismissal was not depriving the defendant of a "substantial right." *New York Life Ins. Co. v. Driggs*, 72 F. 2d 833, C.A. 4, 1934.

If the Supreme Court accepts this principle, and assumes the qualifications stated in the question above, it should be clear that the District Court erred in dismissing the counterclaim, and the Court of Appeals for the ninth Circuit erred in affirming.

Conclusion.

For the reasons set forth in the petition, as supplemented by this reply, the petition for writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX.

SECOND AMENDED AND SUPPLEMENTAL ANSWER AND COUNTERCLAIM ON BEHALF OF McGRAW-EDISON COMPANY.

Pursuant to order of the Court made September 24, 1964, Defendant McGraw-Edison Company for its second amended and supplemental answer to the complaint in the above action and for its counterclaim states as follows:

1. Defendant admits the allegations of paragraph I of the complaint insofar as they relate to this defendant.

2. Defendant admits the allegations as to jurisdiction of this action in paragraph II of the complaint but denies that it has committed any act of infringement either within this District at Los Angeles, California, or elsewhere.

3. Defendant admits that U. S. Letters Patent No. 2,761,273 issued on September 4, 1956 and that plaintiff is the owner of said Letters Patent, but denies all other allegations of paragraph III of the complaint and specifically denies that said Letters Patent were duly and legally issued.

4. Defendant denies the allegations of paragraph IV of the complaint.

5. Defendant denies the allegations of paragraph V of the complaint.

First Defense

Further answering and for its first defense, defendant says that U. S. Patent No. 2,761,273 is invalid and not infringed for the following reasons:

6. Said Patent No. 2,761,273 is anticipated by and reads directly on the disclosure of prior Patent No. 2,202,538 granted May 28, 1940 to Rolf Selquist.

7. The claims of said Patent No. 2,761,273 are directed to subject matter which involves only ordinary skill in the art and lacks patentable invention over or is anticipated by the following prior U. S. patents and prior publications:

U. S. Patent No. 2,202,538
Granted May 28, 1940 to Rolf Selquist
U. S. Patent No. 2,275,019
Granted March 3, 1942 to Thomas F. Peterson
U. S. Patent No. 337,513
Granted March 9, 1886 to Arthur J. Moxham
U. S. Patent No. 2,414,136
Granted January 14, 1947 to Henry W. Bodendieck
Electrical World June 9, 1945 pages 98 and 99
Electrical World June 23, 1945 pages 81, 82 and 83

and possibly other patents and publications for which search is being made, and particulars of which will be supplied by notice when ascertained.

8. As against any claim of infringement of said Patent No. 2,761,273, the products sold by defendant are in the public domain and are justified by the prior art previously cited.

9. Claims of said Patent No. 2,761,273 are directed to subject matter that was not within the original disclosure but which was added to the patent specification

long after the filing date thereof, was not supported by statutory oath, was not entitled to the benefit of the filing date of said patent and was in extensive public use more than one year prior to the addition thereof to the patent specification.

10. The claims of Patent No. 2,761,273 do not particularly point out and distinctly claim the subject matter which the applicant regarded as his invention with the sufficiency required by the patent laws.

11. Thomas F. Peterson was not the original, first and sole inventor of the alleged invention of Patent No. 2,761,237.

12. The alleged invention of Patent No. 2,761,273 is patented in plaintiff's prior patents Nos. 2,275,019 and 2,587,521 issued to Thomas F. Peterson, each allegedly assigned to plaintiff, and plaintiff is thereby illegally extending the effective term of its patent monopoly beyond the term of seventeen years provided by statute.

13. Said Letters Patent No. 2,761,273 is invalid for double patenting over and as an unlawful attempt to extend the monopoly of said Letters Patent No. 2,275,019, and/or No. 2,587,521.

Second Defense

For its second defense, defendant McGraw-Edison Company says that the plaintiff is estopped to assert Patent No. 2,761,273 against this defendant because plaintiff has misused Patent No. 2,761,273 by a general abuse of the patent monopoly and by violating Section 3 of the Clayton Act (15 U.S.C. 14) as follows:

14. The plaintiff is the largest manufacturer and seller in the United States of helically preformed rein-

forcements and attachments for use on electric cables, is the owner of a number of United States patents and several pending applications relating to said helically preformed reinforcements and attachments, and is the dominant company in this field;

15. Plaintiff has engaged in the practice of selling dead ends allegedly protected by Patent No. 2,761,273 conditioned on the purchase by the buyer of other helical products not within the protection of this patent or any other patent;

16. Plaintiff has engaged in a general policy of refusing to sell its products including dead ends to distributors or dealers unless they agreed to sell plaintiff's products exclusively.

Third Defense

For its third defense, defendant says that plaintiff has misused said Patent No. 2,761,273, and is estopped to assert it against defendant for the following reasons:

17. Plaintiff never has and does not now sell dead ends for cables defined in the claims of Patent No. 2,761,273. It has and does engage in a practice of selling certain unpatented components which can be used when forming dead ends allegedly protected by said patent, and grants an implied license to the purchasers of such components to employ them in completing the patented devices, treating as infringers of said patent those who form dead ends allegedly protected by said patent of components not supplied by plaintiff, thereby illegally extending the scope of plaintiff's patent monopoly by restricting competition in unpatented articles which it sells.

Fourth Defense

For its fourth defense, defendant says that plaintiff has misused said Patent No. 2,761,273, and is estopped to assert it against defendant for the following reasons:

18. Defendant does not make or use or sell dead ends for cables defined in the claims of Patent No. 2,761,273. On the contrary, it sells certain components which can be employed in completing dead ends allegedly protected by the patent, but these components are unpatented staple articles of commerce suitable for substantial uses outside the alleged protection of said patent. For such reasons defendant's aforesaid acts do not and cannot constitute either infringement or contributory infringement of said patent.

19. Plaintiff has knowledge of the facts recited in paragraph 18, and in pursuing its course of action herein against this defendant, knows it can do so only upon attempted proof of contributory infringement; it knows that defendant is not guilty of contributory infringement; and by seeking to enforce its patent against this defendant plaintiff is guilty of misuse or illegal extension of its alleged patent right and must be denied relief.

Fifth Defense

20. Thomas F. Peterson, applicant for the patent in suit, No. 2,761,273, did not himself invent the subject matter sought to be patented but derived the invention from one Rolf Selquist under the following circumstances: Said Selquist filed an application for U. S. Letters Patent and as a part of the disclosure in the file of said application described the subject matter subsequently claimed by Peterson in the patent in suit, No. 2,761,273. Long prior to said Peterson's

alleged conception of the "invention" in said patent in suit, he had access to and was familiar with the aforesaid description in the Selquist application file, and derived the "invention" from Selquist. Consequently, Peterson did not himself conceive the subject matter of the patent in suit, and not having conceived the same, he was not the inventor thereof. Said patent in suit is therefore invalid under U. S. Code, Title 35, §§ 102(f).

Sixth Defense

The U. S. Letters Patent No. 2,761,273 is invalid and/or unenforceable against defendant McGraw-Edison Company by reason of the following circumstances:

21. Thomas F. Peterson, the patentee, unreasonably delayed the prosecution of the applications which resulted in the patent in suit, and the issuing of said patent, and thereby unconscionably deferred the term of the monopoly thereof, against the public interest and to the prejudice of this defendant.

Counterclaim

First Cause

As its first cause by way of counterclaim, defendant McGraw-Edison Company says:

22. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

23. U. S. Letters Patent No. 2,761,273 to Thomas F. Peterson is invalid for each and every reason set forth in paragraphs 6 through 13 of the First Defense, paragraph 20 of the Fifth Defense, and paragraph 21 of the Sixth Defense, of this defendant, here incorporated by reference.

24. This defendant has not infringed said Letters Patent No. 2,761,273.

Second Cause

As its second cause by way of counterclaim defendant McGraw-Edison Company says:

25. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, misuse of said patent and violation of the Clayton Act by the plaintiff, and the rights of this defendant in the premises.

26. Plaintiff is estopped to assert United States Patent No. 2,761,273 against defendant McGraw-Edison Company for the reasons set forth in the Second Defense of this Amended and Supplemental Answer and Counterclaim here incorporated by reference.

Third Cause

As its third cause by way of counterclaim, defendant McGraw-Edison Company says:

27. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the

patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

28. Plaintiff is estopped to assert U.S. Letters Patent No. 2,761,273 to Thomas F. Peterson against defendant McGraw-Edison Company for the reasons set forth in paragraph 17 of the Third Defense herein, here incorporated by reference.

Fourth Defense

As its fourth cause by way of counterclaim, defendant McGraw-Edison Company says:

29. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. And actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

30. Plaintiff is estopped to assert U.S. Letters Patent No. 2,761,273 to Thomas F. Peterson against defendant McGraw-Edison Company for the reasons set forth in paragraphs 18-19 of the Fourth Defense herein, here incorporated by reference.

Fifth Cause

For its fifth cause by way of counterclaim, defendant McGraw-Edison Company says:

31. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment

Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

32. Since the filing of the complaint herein, defendant McGraw-Edison Company has commenced selling, and continues to offer for sale and to sell components which can be used in forming dead ends or guy grips, and which materially differ from the accused components theretofore sold by said defendant, and which modified components if used in forming dead ends or guy grips result in dead ends or guy grips entirely outside any possible scope of the claims of the Patent No. 2,761,273, and neither the manufacture, use or sale of these modified components or dead ends or guy grips utilizing such components infringe said patent. One form of said modified components is identified as "New Fanner Straight-Bight Fannergrips" shown in a catalogue page attached hereto as Exhibit A and embodied in a physical specimen Exhibit A(1) filed herewith; another flrm of said modified components is identified as "Service Drop Grips" and "Service Drop Grip Tybail Use" shown on opposite sides of a catalogue page attached hereto as Exhibit B and embodied in physical specimen Exhibit B(1) filed herewith. Plaintiff asserts that there has been, or is, an infringement of the patent in suit by defendant's selling and/or offering for sale modified components identified in this paragraph.

Wherefore, Defendant McGraw-Edison Company prays:

(a) that the Court find and declare that United States Patent No. 2,761,273 is invalid:

(b) that the Court find and declare that this defendant does not infringe said Patent No. 2,761,273 either on account of accused devices originally charged to infringe or modified devices first sold by this defendant since the complaint was filed;

(c) that the Court find and declare that plaintiff has misused Patent No. 2,761,273 and is estopped to maintain this action;

(d) that plaintiff be denied all relief under its Complaint, that the Court costs and this defendant's attorneys fees be assessed against the plaintiff, and that the Court grant defendant such other and further relief as deemed just and proper in the premises.

Dated: October 2, 1964.

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[Exhibits A and B omitted. Same as Exhibits A and B to Amended and Supplemental Answer, R. pp. 61 and 63.]

Receipt of Copy Attached.

[Endorsed]: Filed Oct. 2, 1964.